



JOHN W. SUTHERS
Attorney General

CYNTHIA H. COFFMAN
Chief Deputy Attorney General

DANIEL D. DOMENICO
Solicitor General

STATE OF COLORADO
DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STATE SERVICES BUILDING
1525 Sherman Street - 7th Floor
Denver, Colorado 80203
Phone (303) 866-4494
Fax (303) 866-5474

September 28, 2010

M E M O R A N D U M

TO: Registered Debt Management Providers

FROM: Laura E. Udis
Administrator
Uniform Consumer Credit Code
(303) 866-4494

RE: FTC's Advance Fee Ban

As a debt management provider registered under the Colorado Debt Management Services Act, you should be aware of new rules issued by the Federal Trade Commission that ban advance fees as of October 27, 2010.

On July 29, 2010, the FTC announced rules on debt relief as amendments to its Telemarketing Sales Rule. The FTC's press release is available at <http://www.ftc.gov/opa/2010/07/tsr.shtm>. The rules require additional disclosures by debt relief companies as of September 27, 2010. The rule also bans advance fees as of October 27, 2010. There are additional requirements for the accounts used to deposit consumers' funds involving ownership of funds and withdrawal at any time without penalty.

"Debt relief" companies include credit counseling, debt management, and debt settlement companies that sell services over the telephone. The rule does not apply to non-profit companies as they are generally outside the FTC's jurisdiction. The FTC has published a compliance guide at <http://www.ftc.gov/bcp/edu/pubs/business/marketing/bus72.pdf>.

Debt relief companies should ensure they are in compliance with the FTC's rule despite the fact that the Colorado Debt Management Services Act's language still permits advance fees. State attorneys general have authority to enforce the FTC rule and sue debt relief companies that are not in compliance with it.